

I, LINDA A. KELLEHER, City Clerk of the City of Reading, Pa., do hereby certify, that the foregoing is a true and correct copy of the original Resolution passed by the Council of the City of Reading, on the 11th day of May, A. D. 2008. Witness my hand and seal of the said City this 11th day of May, A. D. 2008.

CITY OF READING
BERKS COUNTY, PENNSYLVANIA

SWAP RESOLUTION

87-0008

A RESOLUTION OF THE COUNCIL OF CITY OF READING, BERKS COUNTY, PENNSYLVANIA APPROVING AN INTEREST RATE MANAGEMENT PLAN; APPROVING THE FORM OF A CERTAIN INTEREST RATE MANAGEMENT AGREEMENT RELATING TO ITS FEDERALLY-TAXABLE GENERAL OBLIGATION VARIABLE RATE DEMAND NOTES SERIES C OF 2008 AND ITS FEDERALLY-TAXABLE GENERAL OBLIGATION VARIABLE RATE DEMAND NOTES SERIES D OF 2008; AUTHORIZING THE PROPER OFFICERS OF THE CITY TO EXECUTE AND DELIVER THE INTEREST RATE MANAGEMENT AGREEMENT; APPROVING THE MAXIMUM FIXED RATE OF INTEREST PAYABLE BY THE CITY UNDER THE INTEREST RATE MANAGEMENT AGREEMENT AND THE MINIMUM RATES OF INTEREST PAYABLE BY THE COUNTERPARTY UNDER THE INTEREST RATE MANAGEMENT AGREEMENT; APPROVING THE TERMS OF THE INTEREST RATE MANAGEMENT AGREEMENT; COVENANTING TO MAKE THE PAYMENTS REQUIRED TO BE MADE BY THE CITY UNDER THE INTEREST RATE MANAGEMENT AGREEMENT; AUTHORIZING THE PREPARATION OF A TRANSCRIPT OF PROCEEDINGS TO BE FILED WITH THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT; AND AUTHORIZING THE EXECUTION AND DELIVERY OF OTHER NECESSARY DOCUMENTS AND THE TAKING OF OTHER NECESSARY ACTION IN CONNECTION WITH THE FOREGOING.

WHEREAS, the City of Reading, Berks County, Pennsylvania (the "City"), has authorized the issuance of its Federally-Taxable General Obligation Variable Rate Demand Notes, Series C of 2008 (the "2008C Notes") in an aggregate principal amount of \$18,525,000, and its Federally-Taxable General Obligation Variable Rate Demand Notes, Series D of 2008 (the "2008D Notes") in an aggregate principal amount of \$22,795,000 (collectively, the 2008C Notes and the 2008D Notes are hereinafter referred to as the "Notes"), to finance various projects of the City; and

WHEREAS, the Notes will bear interest at variable rates; and

WHEREAS, the City has heretofore appointed Financial S&Lutions, LLC as its financial advisor (the "Financial Advisor") to evaluate whether it was advisable to enter into one or more floating to fixed interest rate swaps with respect to the Notes in order to synthetically convert the interest rates payable on the Notes to a fixed rate; and

WHEREAS, the City's Financial Advisor has prepared an interest rate management plan (the "Interest Rate Management Plan") and is recommending that the City enter into an interest rate management agreement with respect to both series of Notes in order to manage interest costs with respect to the Notes; and

WHEREAS, the Interest Rate Management Plan contains recommendations relating to the process for selecting a counterparty or counterparties and awarding an interest rate

management agreement or interest rate management agreements, and the City has been advised that it is in its best financial interest to enter into an interest rate management agreement with a financial institution meeting the minimum requirements for qualified counterparties as set forth in the Interest Rate Management Plan (the "Bank" or "Counterparty") and selected by the City by private sale by negotiation; and

WHEREAS, the City intends to enter into an interest rate management agreement with respect to both series of Notes with the Bank pursuant to a Master Agreement, as supplemented by the Schedule and Confirmation thereto (the "Interest Rate Management Agreement"); and

WHEREAS, the City desires to approve the Interest Rate Management Plan, authorize the execution and delivery of the Interest Rate Management Agreement and such other documents as shall be necessary or appropriate in connection therewith.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF READING AS FOLLOWS:

1. Adoption of the Interest Rate Management Plan. In accordance with the purposes and objectives of the Local Government Unit Debt Act, as amended, the City hereby adopts and approves the Interest Rate Management Plan prepared and recommended by the Financial Advisor attached hereto as Appendix I, subject to such modifications from time to time as the City Managing Director, the Financial Advisor and counsel to the City shall approve. The City hereby approves and authorizes the use of the process for selecting a counterparty, and awarding the Interest Rate Management Agreement, set forth in the Interest Rate Management Plan. The Financial Advisor is hereby determined to be independent as contemplated by the Local Government Unit Debt Act.

2. Authorization of the Interest Rate Management Agreement. In order to manage interest costs to the City, the City is hereby authorized to execute and deliver the Interest Rate Management Agreement, the substantial form of which is attached hereto as Appendix II. The substantial form of the Interest Rate Management Agreement is hereby approved; provided that, with respect to the Notes: (i) the notional amount subject to the Interest Rate Management Agreement shall not exceed the then outstanding aggregate principal amount of the Notes, (ii) the term of the Interest Rate Management Agreement shall be no later than the latest maturity date for the Notes, (iii) the Interest Rate Management Agreement shall obligate the City to pay a fixed rate no higher than the fixed rate determined by the Financial Advisor to be fair and reasonable at the time of pricing of the Interest Rate Management Agreement, (iv) the Interest Rate Management Agreement shall obligate the Counterparty to pay an amount equal to a variable interest rate multiplied by the notional amount of the swaps at the time in question, at the times and in the manner set forth in the Interest Rate Management Agreement, and (v) both parties may be required to make certain additional payments to the extent required under the Interest Rate Management Agreement, however periodic scheduled payments payable by the City under the Interest Rate Management Agreement and debt service payable by the City on the Notes shall be senior in right and priority of payment to termination payments due under the Interest Rate Management Agreement.

3. Execution and Delivery of the Interest Rate Management Agreement. The Mayor of the City, the City Managing Director and any other legally required official of the City are hereby authorized to execute the Interest Rate Management Agreement by manual or facsimile signature; the City Clerk or any Assistant City Clerk of the City is hereby authorized to attest by manual or facsimile signature and to affix the seal of the City on the Interest Rate Management Agreement (which is hereby authorized to be impressed or imprinted on the Interest Rate Management Agreement); and following such execution, the officers of the City are hereby authorized to deliver, or to cause to be delivered, the Interest Rate Management Agreement.

The Interest Rate Management Agreement, when executed, will be a general obligation of the City. The City hereby covenants that it shall include the amount of scheduled payments due thereunder for each fiscal year in which such sums are payable in its budget for that year and shall include the amount of any termination payments due thereunder in its budget for the fiscal year immediately succeeding the fiscal year in which a termination occurs; shall appropriate such amounts from its general revenues to the payment of such payments; and shall duly and punctually pay or cause to be paid the payments on the dates and places and in the manner stated in the Interest Rate Management Agreement according to the true intent and meaning thereof, and for such proper budgeting, appropriation, and payment of periodic scheduled payments, the full faith, credit and taxing power of the City is hereby irrevocably pledged.

The maximum and estimated scheduled payment amounts which the City hereby covenants to pay under the Interest Rate Management Agreement are set forth in Schedule I attached hereto.

Attached hereto as Schedule II are the maximum combined obligations of the City with respect to the Notes (with interest calculated at the maximum rates payable on the Notes) taking into account the Interest Rate Management Agreement and the Notes, assuming that the maximum rate on the Interest Rate Management Agreement is in effect, but excluding the amount of any termination payment.

4. Authorization of Private Sale By Negotiation. In compliance with Section 8281(e) of the Local Government Unit Debt Act, the members of the Council, in consultation with the Financial Advisor to the City have determined that a private sale by negotiation rather than private sale by invitation or public sale is in the best financial interest of the City. The Interest Rate Management Agreement shall be awarded to the Counterparty subject to the requirements of this Resolution and the Interest Rate Management Plan; provided that the proceedings have been filed with the Department of Community and Economic Development in accordance with paragraph 7 below. The award of the Interest Rate Management Agreement at a private sale by negotiation in accordance with the other terms and conditions set forth in this Resolution, is hereby deemed to be in the best financial interest of the City and is hereby approved.

5. Execution and Delivery of Documents. The Mayor, the City Managing Director or any other legally required official of the City are hereby authorized to execute and deliver, in the name of the City and on its behalf, the following documents and to approve the final form and substance thereof, and any amendments or supplements thereto before or after the

initial execution and delivery thereof, and to approve the exact notional amount, term and interest rates under the Interest Rate Management Agreements (subject to paragraph 2 above), such approvals to be conclusively evidenced by the execution thereof, and the City Clerk or any Assistant City Clerk is hereby authorized to affix to all of the following documents the seal of the City and to attest to the same:

(a) The Interest Rate Management Agreement; and

(b) Such other documents, agreements, instruments and certifications, as the executing officers determine to be reasonable and appropriate to provide for the Interest Rate Management Agreement as authorized by this Resolution.

Copies of the foregoing documents, together with the other documents relating to the transactions authorized hereby, in final form as executed and delivered by the parties thereto, shall be filed in the official records of the City.

6. Dating of Interest Rate Management Agreement. The Interest Rate Management Agreement and other documents, instruments, agreements and certificates executed and delivered in connection therewith are presently expected to be dated as of their dates of execution at any time after the filing of the proceedings with the Department of Community and Economic Development. The City Managing Director with the advice of the Financial Advisor and Stevens & Lee, as Swap Counsel, is hereby authorized and directed to approve in his/her sole discretion the dates and the final pricing, terms and provisions of the Interest Rate Management Agreement and all such other documents, such approval to be conclusively evidenced by the execution of the Interest Rate Management Agreement and such other documents by the Mayor or City Clerk of the Council.

7. Debt Act Proceedings.

The Mayor, the City Managing Director, the City Clerk or Assistant City Clerk of the City are authorized and directed to prepare or cause to be prepared, verify and file the proceedings required by Section 8284 of the Act, and to take other necessary action.

The action of the proper officers and the advertising of a summary of this Resolution as required by law in a newspaper of general circulation, is hereby ratified and confirmed, and approved. The advertisement by the City Clerk of the City in said paper of the adoption of this Resolution is hereby directed within fifteen (15) days following the day of final enactment.

8. Binding Effect of Covenants and Agreements. All covenants, obligations and agreements of the City set forth in this Resolution and in the documents, instruments, agreements and certificates authorized hereby shall be deemed to be the covenants, obligations and agreements of the City to the full extent authorized or permitted by law, and all such covenants, obligations and agreements shall be binding upon the City and its successors from time to time and upon any board or body to which any powers or duties affecting the same shall be transferred by or in accordance with law. Except as otherwise provided in this Resolution, all rights, powers and privileges conferred and duties and liabilities imposed upon the City or the members thereof by the provisions of this Resolution or the documents, instruments, agreements and certificates

authorized hereby shall be exercised or performed by such members, officers or other representatives of the City as may be required or permitted by law to exercise or perform the same. No covenant, obligation or agreement herein contained or contained in any documents, instruments, agreements and certificates authorized hereby shall be deemed to be a covenant, obligation or agreement of any member, officer, agent or employee of the City in his or her individual capacity and neither the members of the City nor any officer executing the Interest Rate Management Agreement or any other documents, instruments, agreements and certificates authorized by this Resolution shall be liable personally thereunder or be subject to any personal liability or accountability by reason of the execution and delivery thereof.

9. Pricing Agent/Financial Advisor. The City hereby appoints and engages Financial S&Lutions, LLC to serve as its independent Financial Advisor with regard to all of the transactions from time to time contemplated by this Resolution. The City hereby appoints and engages Financial S&Lutions, LLC to serve as pricing agent to the City with regard to all of the transactions from time to time contemplated by this Resolution.

10. Swap Counsel. The City hereby appoints and engages Stevens & Lee, a professional corporation, Reading, Pennsylvania, to act as Swap Counsel to the City with regard to all of the transactions from time to time contemplated by this Resolution.

11. Further Action. The Mayor of the City or the City Managing Director are hereby authorized and directed to execute such further documents, instruments, agreements and certificates and do such further things as may be necessary or proper to carry out the intent and purpose of this Resolution or any document herein authorized.

12. Repeal of Inconsistent Resolutions. All prior resolutions or parts thereof inconsistent herewith are hereby repealed to the extent of such inconsistency.

13. Effective Date. This Resolution shall take effect immediately.

DULY ADOPTED, THIS 11TH DAY OF AUGUST, 2008, BY THE CITY COUNCIL OF THE CITY OF READING, PENNSYLVANIA, IN LAWFUL SESSION DULY ASSEMBLED.

(SEAL)

CITY OF READING

By:

President of City Council

Attest:

City Clerk

CERTIFICATE OF CITY CLERK

The undersigned, City Clerk of the City of Reading, Berks County, Pennsylvania (the "City"), hereby certifies that the foregoing is a true and correct copy of the Resolution which was adopted by a majority vote of the Council, at a meeting thereof held after due public notice as required by law, on August 11, 2008.

(SEAL)

By: 
City Clerk

APPENDIX I

Interest Rate Management Plan

APPENDIX II

Form of Interest Rate Management Agreement

SCHEDULE I

MAXIMUM SCHEDULED PAYMENTS UNDER THE INTEREST RATE MANAGEMENT
AGREEMENT

EXPECTED SCHEDULED PAYMENTS UNDER THE INTEREST RATE MANAGEMENT
AGREEMENT

SCHEDULE II

MAXIMUM AMOUNTS PAYABLE UNDER THE NOTES AND THE INTEREST RATE
MANAGEMENT AGREEMENT